United Kingdom

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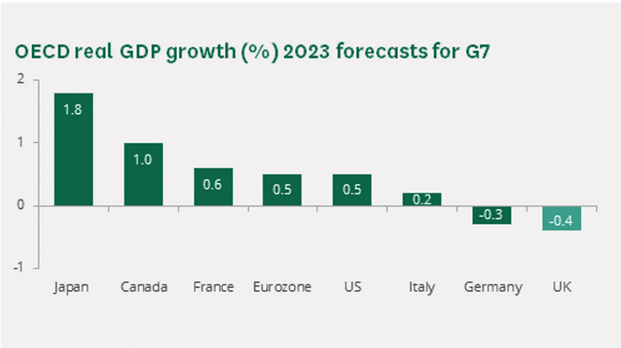
Looking back, the recent negative factors which have assailed the UK Economy have been relentless – Brexit, COVID lockdowns, a General Election, EU Trade Negotiation, the war in Ukraine, the energy crisis, inflation, Prime Minister departure debacles, multiple strike action, China's Zero COVID Policy! The Perfect Storm you might say, you really couldn't make this stuff up! And yet, despite the UK experiencing the highest decline in GDP amongst the G7 in 2020 (Reportedly somewhere between -9 to -11%), the climb back has been significant with growth recorded for 2022 at +4.1%, which is higher than the EU average for the period. This does disappoint the doom mongers who forecast a recession in 2022 and goes to underline a certain resilience in the UK economy.

However, forecasts for 2023 have not been so bright with OECD and IMF both forecasting negative growth for the UK. Possibly the worst for the G7 countries.



That said, the UK latest GDP figures for January, at +0.3% growth, continue to defy the threat of recession, once again showing resilience and suggesting the pundits could be wrong once more. Perhaps with China promising a relaxation of its Covid restrictions we might see a fillip to the global scene and growth picking up.

Also, part of the previous negative forecast for the UK might have been due to the country's dependence on natural gas where the recent unprecedent price hikes have led to cost of living increases and huge inflationary pressures. Now, seeing as the global wholesale price of LNG is back at pre-Ukraine War levels, this should radically change the scenario going forward. Industry sources advise that LNG prices have fallen 52% year to-date and around 81% since the August 2022 peak. Brent Crude has now settled around $80 a barrel compared to $128 high in March 2022.

Acknowledging energy costs being one of the leading drivers for inflation, surely some of this trending must start to filter down and reflect on the Government's target to halve inflation by the year end. In fact, that target when declared in early January 2023 seemed to be highly speculative; it is now looking entirely achievable.

Conditions could be set for things to start to improve from spring as hopefully inflation slows and the interest rate hiking cycle possibly ends. Perhaps heralding a new global economic growth cycle and regions expanding at their own pace is on the cards. Certainly, IMF and OECD global forecasts are now more upbeat than was the case Q4 2022.

The Spring Budget is seen to be boosting the economic outlook from the start when U.K. Finance Minister Jeremy Hunt said in his statement to Parliament that the economy would no longer enter a technical recession in 2023, based on new forecasts from the independent Office for Budget Responsibility. The rise in Corporation Tax to 25% is seemingly being offset by a new term "full expensing" R&D expenditure against tax liability for the next three years. An effective cut to Corporation Tax of £9 billion a year and reckoned to increase investment by 3% a year. The OBR seem to like it a lot. Fuel duty remains the same and the temporary cut remains the same. Good news for drivers and the economy.

On the unemployment front, depending how you perceive it, high levels of vacancies can mean staff shortages or low unemployment, but new childcare allowances are seen as a push towards optimum staffing and should improve output and further boost the economy.

If this can all be combined with an end to strike actions it suggests a reason to be positive.